

HOUSE BILL NO. 319

INTRODUCED BY LAWSON

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4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATING TO CREDIT UNIONS;
5 CLARIFYING THE USE OF "CREDIT UNION" IN THE NAME OF CREDIT UNIONS; AUTHORIZING
6 OUT-OF-STATE CREDIT UNIONS TO DO BUSINESS IN THIS STATE UNDER CERTAIN CONDITIONS;
7 AUTHORIZING MONTANA CREDIT UNIONS TO CONDUCT BUSINESS IN OTHER STATES UNDER
8 CERTAIN CONDITIONS; GENERALLY REPLACING REFERENCES TO THE DIRECTOR OF THE
9 DEPARTMENT OF ADMINISTRATION WITH REFERENCES TO THE DEPARTMENT OF ADMINISTRATION;
10 PROVIDING FOR EXAMINATIONS OF CREDIT UNIONS ON A SCHEDULE DETERMINED BY THE
11 DEPARTMENT RATHER THAN ON AN ANNUAL BASIS; ESTABLISHING CRITERIA FOR CEASE AND
12 DESIST ORDERS AND INVOLUNTARY DISSOLUTION; REVISING SUSPENSION CRITERIA; ESTABLISHING
13 CRITERIA FOR APPOINTING A CONSERVATOR FOR A CREDIT UNION; ESTABLISHING CRITERIA FOR
14 THE INVOLUNTARY MERGER OF A CREDIT UNION; PROVIDING FOR THE CONFIDENTIALITY OF
15 CERTAIN CREDIT UNION INFORMATION MAINTAINED BY THE DEPARTMENT OF ADMINISTRATION;
16 REVISING CERTAIN ORGANIZATIONAL AND ADMINISTRATIVE PROCEDURES OF CREDIT UNIONS;
17 REVISING VOLUNTARY LIQUIDATION AND MERGER PROCEDURES; REVISING BOARD OF DIRECTORS
18 AND COMMITTEE PROCEDURES; REVISING ACCOUNT, SHARE, AND LOAN PROVISIONS; REVISING
19 RESERVE REQUIREMENTS; AMENDING SECTIONS 32-3-103, 32-3-201, 32-3-202, 32-3-203, 32-3-204,
20 32-3-205, 32-3-206, 32-3-301, 32-3-302, 32-3-303, 32-3-307, 32-3-310, 32-3-321, 32-3-322, 32-3-323, 32-3-401,
21 32-3-403, 32-3-404, 32-3-408, 32-3-411, 32-3-412, 32-3-414, 32-3-417, 32-3-505, 32-3-506, 32-3-508, 32-3-601,
22 32-3-602, 32-3-604, 32-3-608, 32-3-611, 32-3-702, 32-3-703, AND 32-3-705, MCA; AND REPEALING SECTION
23 32-3-704, MCA."

24
25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

26
27 **Section 1.** Section 32-3-103, MCA, is amended to read:
28 **"32-3-103. Use of name exclusive.** (1) The name of any credit union organized under this chapter must
29 include the phrase "credit union". A credit union may not adopt a name either identical to the name of any other
30 credit union doing business in this state or so similar as to be misleading or to cause confusion.

1 ~~(2) With the exception of A person, other than~~ a credit union organized under the provisions of this
 2 chapter or of any other credit union act or an ~~association organization or corporation whose membership or~~
 3 ~~ownership is primarily limited to~~ of credit unions or ~~credit union organizations, a recognized chapter thereof, any~~
 4 ~~person, corporation, partnership, or association using~~ may not use a name or title containing the words "credit
 5 union" or any derivation thereof ~~of the words "credit union", or representing themselves in their advertising or~~
 6 ~~otherwise as conducting business as~~ and the person may not represent that the person is a credit union and may
 7 not conduct business as a credit union.

8 (3) A person who violates a provision of this section shall be fined not more than \$500 or imprisoned
 9 not more than 1 year, or both, and may be permanently enjoined from ~~using such words in its name~~ further
 10 violation of the provisions of this section."

11
 12 **NEW SECTION. Section 2. Out-of-state credit unions.** (1) A credit union chartered under the laws
 13 of another state or territory of the United States may conduct business as a credit union in this state with the
 14 approval of the department of administration, provided that credit unions incorporated under this chapter are
 15 allowed to do business in the other state or territory under conditions similar to these provisions.

16 (2) Before granting approval to do business in this state, the department must find that an out-of-state
 17 credit union:

- 18 (a) is a credit union organized under laws similar to this chapter;
 19 (b) is financially solvent;
 20 (c) has account insurance comparable to that required for credit unions incorporated under this chapter;
 21 (d) is examined and supervised by a regulatory agency of the state in which it is organized; and
 22 (e) needs to conduct business in this state to adequately serve its members in this state.

23 (3) An out-of-state credit union may not conduct business in this state unless it:

24 (a) complies with the consumer protection statutes and rules applicable to credit unions incorporated
 25 under this chapter;

26 (b) agrees to furnish the department with a copy of the examination report conducted by its regulatory
 27 agency or to submit to an examination by the department; and

28 (c) designates and maintains an agent for the service of process in this state.

29 (4) The department may revoke the approval of an out-of-state credit union conducting business in this
 30 state if the department finds that:

- 1 (a) the credit union no longer meets the requirements of subsection (2);
 2 (b) the credit union has violated the laws of this state or lawful rules or orders issued by the department;
 3 (c) the credit union has engaged in a pattern of unsafe or unsound credit union practices;
 4 (d) continued operation by the credit union is likely to have a substantially adverse impact on the
 5 financial, economic, or other interests of residents of this state; or
 6 (e) the credit union is prohibited from operating in its own home state.

7
 8 **NEW SECTION. Section 3. Conducting business outside this state.** (1) A credit union chartered
 9 under this chapter may conduct business outside of this state in other states or territories where it is permitted
 10 to conduct business as a credit union, under conditions substantially similar to the provisions of this chapter.

11 (2) If another state or territory's credit union laws or regulations allow credit unions operating in that state
 12 or territory to exercise additional powers not allowed in this state, the credit union conducting business outside
 13 this state may request permission from the department of administration to exercise those additional powers
 14 while operating in that state.

15 (3) Upon request for approval to exercise a power not allowed in this state, submitted by certified mail,
 16 return receipt requested, the department shall respond with a determination in not more than 60 days. For good
 17 cause shown within the 60-day period, the department may extend the response period for an additional 30
 18 days. If a response is not received within 60 days or 90 days, as applicable, the requesting credit union may
 19 exercise the power.

20
 21 **Section 4.** Section 32-3-201, MCA, is amended to read:

22 **"32-3-201. ~~Director of department~~ Department of administration.** (1) The ~~director of the~~ department
 23 of administration shall administer the laws of this state relating to credit unions. The ~~director~~ department may
 24 appoint or employ special assistants, deputies, examiners, or other employees that are necessary for the
 25 purpose of administering or enforcing this chapter.

26 (2) The ~~director~~ department may adopt rules for the administration of this chapter and may establish
 27 chartering, supervisory, and examination fees. Fees collected must be deposited in the state special revenue
 28 fund for the use of the department in its supervision function.

29 (3) The ~~director~~ department shall adopt rules prescribing the minimum amount of surety bond coverage
 30 and casualty, liability, and fire insurance required of credit unions in relation to their assets or to the money and

1 other personal property involved or their exposure to risk.

2 (4) The department may enter into agreements with other states establishing the division of supervisory
3 responsibilities between the state in which a credit union is organized and the state or states in which the credit
4 union's branches may be located."

5

6 **Section 5.** Section 32-3-202, MCA, is amended to read:

7 **"32-3-202. Reports.** (1) Credit unions organized under this chapter shall report to the ~~director~~
8 department of administration annually on or before February 1 on forms supplied by ~~him~~ the department for that
9 purpose. Additional reports may be required.

10 (2) A fine of \$5 for each day a report is in arrears ~~shall~~ must be levied against the offending credit union
11 unless it is excused for cause by the ~~director~~ department."

12

13 **Section 6.** Section 32-3-203, MCA, is amended to read:

14 **"32-3-203. Examinations.** (1) The department of administration shall ~~annually~~ examine or cause to be
15 examined each credit union on a schedule determined by the department. Each credit union and all of its officers
16 and agents ~~must be required to~~ shall give to representatives of the ~~director of the~~ department full access to all
17 books, papers, securities, records, and other sources of information under their control. For the purpose of the
18 examination the representatives may subpoena witnesses, administer oaths, compel the giving of testimony,
19 and require the submission of documents.

20 (2) A report of the examination must be forwarded to the executive officer of each credit union promptly
21 after completion. The report must contain comments relative to the management of the affairs of the credit union
22 and also as to the general condition of its assets. Within 60 days after the receipt of the report, the directors and
23 committee members shall meet to consider matters contained in the report.

24 (3) In lieu of making an ~~annual~~ examination of a credit union, the ~~director~~ department may accept an
25 audit report of the condition of the credit union made by an auditor approved by the ~~director~~ department. The
26 cost of the audit must be borne by the credit union."

27

28 **Section 7.** Section 32-3-204, MCA, is amended to read:

29 **"32-3-204. Records.** (1) A credit union shall maintain all books, records, accounting systems, and
30 procedures in accordance with rules that ~~the director of~~ the department of administration prescribes. In

1 prescribing rules, the ~~director~~ department shall consider the relative size of a credit union and its reasonable
2 capability of compliance.

3 (2) A credit union is not liable for destroying records after the expiration of the record retention time
4 prescribed by the ~~director~~ department.

5 (3) A photostatic or photographic copy or reproduction of any kind, including electronic or
6 computer-generated data that has been electronically stored and is capable of being converted into written form,
7 of any credit union records ~~must be~~ is admissible as evidence of transactions with the credit union."
8

9 **Section 8.** Section 32-3-205, MCA, is amended to read:

10 "**32-3-205. ~~Suspension~~ Cease and desist orders -- suspension -- involuntary liquidation.** (1) The
11 department of administration may issue cease and desist orders after having determined, from competent and
12 substantial evidence, that a credit union:

13 (a) is engaged or is about to engage in an unsafe or unsound practice; or

14 (b) is violating or has violated a material provision of any law, rule, or condition imposed in writing by
15 the department or any written agreement made with the department.

16 (2) (a) The department may suspend from office and prohibit from further participation in any manner
17 in the conduct of the affairs of a credit union any director, officer, or committee member who has committed any
18 violation of a law, rule, or cease and desist order, who has engaged in or participated in any unsafe or unsound
19 practice in connection with the credit union, or who has committed or engaged in any act, omission, or practice
20 that constitutes a breach of that person's fiduciary duty as a director, officer, or committee member when the
21 department has determined that:

22 (i) the action of the director, officer, or committee member has resulted or will likely result in substantial
23 financial loss or other damage;

24 (ii) the interests of the credit union's members have been or may be prejudiced by the action of the
25 director, officer, or committee member;

26 (iii) the director, officer, or committee member has received financial gain or other benefit as a result of
27 the action; or

28 (iv) the action of the director, officer, or committee member involves personal dishonesty or
29 demonstrates unfitness to serve as a director, officer, or committee member.

30 (b) A director, officer, or committee member suspended from office pursuant to subsection (2)(a) may

1 request a hearing under the Montana Administrative Procedure Act.

2 ~~(1)(3)~~ (a) If it appears that any a credit union is bankrupt or insolvent or that it has willfully violated this
3 chapter or is operating in an unsafe or unsound manner, the ~~director of the department of administration shall~~
4 may issue an order temporarily suspending the credit union's operations for not less than 30 or more than 60
5 days. The board of directors must be given notice by certified mail of the suspension. The notice must include
6 a list of the reasons for the suspension and a list of the specific violations of this chapter.

7 ~~(2)(b)~~ Upon receipt of a suspension notice, the credit union shall cease all operations, except those
8 authorized by the ~~director department, or the department may appoint a conservator to operate the credit union~~
9 during the period of suspension. The ~~credit union~~ board of directors shall ~~then~~ file with the ~~director department~~
10 a reply to the suspension notice and ~~may request a hearing to~~ present a plan of proposed corrective actions
11 ~~proposed~~ if it desires to continue operations. The board may request that the credit union be declared insolvent
12 and a liquidating agent be appointed.

13 ~~(3)(c)~~ Upon receipt from the suspended credit union of evidence that the conditions causing the order
14 of suspension have been corrected or upon acceptance of a plan of proposed corrective actions, the ~~director~~
15 department may revoke the suspension notice and permit the credit union to resume normal operations.

16 ~~(4)(d)~~ If the ~~director department,~~ after issuing a notice of suspension ~~and providing an opportunity for~~
17 ~~a hearing,~~ rejects the credit union's plan to continue operations, ~~the director may issue a notice of involuntary~~
18 ~~liquidation and appoint a liquidating agent. The credit union may request the appropriate court to stay execution~~
19 ~~of the action. Involuntary liquidation may not be ordered prior to the conclusion of suspension procedures~~
20 ~~outlined in this section~~ the board may request an administrative hearing.

21 ~~(5)(4)~~ If, within the suspension period, the credit union fails to answer the suspension notice or request
22 a hearing or if after a hearing, the department continues to reject the credit union's plan to continue operations,
23 the ~~director department~~ may ~~then:~~

24 (a) permit the credit union to operate under a conservator until conditions requiring suspension are
25 remedied;

26 (b) involuntarily merge the credit union in accordance with the provisions of [section 10]; or

27 (c) revoke the credit union's charter, appoint a liquidating agent, and liquidate the credit union.

28 (5) The department may not involuntarily merge or involuntarily liquidate a credit union prior to the
29 suspension procedures outlined in this section. A credit union may petition the appropriate court to stay the
30 department's suspension, involuntary merger, or involuntary liquidation order.

- 1 (6) In the event of liquidation of a credit union, the assets of the credit union or the proceeds from the
2 disposition of the credit union's assets must be applied and distributed in the following sequence:
3 (a) to secured creditors up to the value of their secured collateral;
4 (b) for the costs and expenses of liquidation;
5 (c) for wages due employees of the credit union;
6 (d) for taxes owed to any government unit;
7 (e) for any debts owed the United States;
8 (f) to general creditors and to secured creditors to the extent that their claims exceed the value of their
9 collateral; and
10 (g) to shareholders of the credit union to the extent of their uninsured shares."
11

12 **NEW SECTION. Section 9. Conservatorship.** (1) In conjunction with a suspension order or if the
13 department of administration's examination has been obstructed or impeded, the department may appoint itself
14 or appoint any other competent person as conservator to immediately take possession and control of the
15 business and assets of a credit union. The conservator, representing the best interest of the credit union
16 members, must be vested with the full power of management of the credit union.

17 (2) Not later than 15 days after the date on which the conservator takes possession and control of the
18 business and assets of a credit union pursuant to subsection (1), the credit union may apply to the appropriate
19 court for an order requiring the department to show cause why the department or the designated conservator
20 should not be enjoined from continuing possession and control.

21 (3) Except as provided in subsection (2), the conservator may maintain possession and control of the
22 business and assets of the credit union and may operate the credit union until:

23 (a) the department permits the credit union's officials to continue business subject to any terms and
24 conditions the department imposes; or

25 (b) the credit union is involuntarily merged or involuntarily liquidated in accordance with the provisions
26 of 32-3-205.

27 (4) The department may appoint any agents considered necessary to assist the conservator in carrying
28 out the duties of the conservator under this section.

29 (5) All expenses incurred by the conservator in exercising the authority of that office under this section
30 with respect to a credit union must be paid out of the assets of the credit union, except that the department may

1 waive all or a part of the expenses.

2

3 **NEW SECTION. Section 10. Involuntary merger.** The department of administration may initiate the
4 involuntary merger of a credit union that is insolvent or in danger of insolvency with any other credit union or may
5 authorize a credit union to purchase any of the assets of or assume any of the liabilities of any other credit union
6 that is insolvent or in danger of insolvency if the department is satisfied that:

7 (1) an emergency requiring expeditious action exists with respect to a credit union that is insolvent or
8 in danger of insolvency;

9 (2) other alternatives are not reasonably available; and

10 (3) the public interest would best be served by approval of the merger, purchase, or assumption.

11

12 **NEW SECTION. Section 11. Confidentiality -- penalties.** (1) (a) Any report of examination issued
13 under 32-3-203, any report made by a credit union under 32-3-202, and any other credit union documentation
14 maintained by the department of administration, other than those reports that are required to be published, must
15 be considered confidential information. The information may not be imparted to persons who are not officially
16 associated with the department, and the information contained in the reports and statements may be used by
17 the department only in the furtherance of its official duties.

18 (b) The department may exchange information with federal credit union regulatory agencies and with
19 the financial regulatory departments of other states. The department may furnish information to the legislative
20 auditor for use in pursuit of official duties. A prosecuting official may obtain the information by court order.

21 (2) Any knowledge or information gained or discovered by the department in pursuance of its powers
22 or duties is confidential information of the department. The information may not, except as provided in
23 subsection (1)(b), be imparted to any person not officially associated with the department. The information may
24 be used by the department only in the furtherance of its official duties.

25 (3) An employee or agent of the department who violates this section or willfully makes a false official
26 report as to the condition of a credit union is guilty of a felony and must be removed from office. Upon conviction,
27 the person shall be fined an amount not exceeding \$1,000, be imprisoned in a state correctional facility for a
28 term not exceeding 5 years, or both.

29

30 **Section 12.** Section 32-3-206, MCA, is amended to read:

1 **"32-3-206. Authorized activities of credit unions.** Upon written application to the ~~director~~ department
 2 of administration, a credit union may engage in any activity in which ~~such a~~ credit union could engage if it were
 3 it operating as a federal chartered credit union at the time ~~such the~~ authority is granted. ~~Such powers~~ The
 4 activities shall include; but are not by way of limitation limited to; the power to do any act and to own, possess,
 5 and carry as assets property ~~of such character~~ including stocks, bonds, or other debentures ~~which that~~, at the
 6 time the authority is granted, are authorized under federal laws and regulations for transactions by federal credit
 7 unions, ~~notwithstanding and are not subject to any restrictions elsewhere contained elsewhere in the statutes~~
 8 ~~of the state of Montana law, except that the~~ However, the director department may not charter a credit union not
 9 having a common bond of membership as defined in 32-3-304. The ~~director~~ department shall approve an activity
 10 if ~~he it~~ finds that it the activity fosters competitive equality between state and federal credit unions and prevents
 11 adverse effects on members of state-chartered credit unions. If the ~~director~~ department disapproves an activity,
 12 the credit union must be given an opportunity for a hearing pursuant to Title 2, chapter 4, part 6, to determine
 13 whether a compelling reason exists for denying approval of the activity for which the credit union applied."
 14

15 **Section 13.** Section 32-3-301, MCA, is amended to read:

16 **"32-3-301. Organization procedure.** (1) Any seven or more residents of this state who are of legal age
 17 and who have a common bond, as described in 32-3-304, may organize a credit union and become charter
 18 members of the credit union by complying with this section.

19 (2) The subscribers shall execute, in duplicate, articles of incorporation that conform to the applicable
 20 Montana corporation law and shall agree to the terms of the articles. The articles must state:

21 (a) the name, which must include the words "credit union" and which ~~may not be the same as that of~~
 22 ~~any other existing credit union in this state~~ must conform with the provisions of 32-3-103, and the location where
 23 the proposed credit union is to have its principal place of business;

24 (b) that the existence of the credit union is perpetual;

25 (c) the par value of the shares of the credit union, which must be in \$5 multiples of not less than \$5 or
 26 more than \$25;

27 (d) that the credit union is organized under this chapter for the purposes set forth in the articles;

28 (e) the names and addresses of the subscribers to the articles of incorporation and the value of shares
 29 subscribed to by each, which may be not less than \$5; and

30 (f) that the credit union may exercise incidental powers that are necessary or requisite to enable it to

1 carry on effectively the business for which it is incorporated and those powers that are inherent in the credit
2 union as a legal entity.

3 (3) The subscribers shall prepare and adopt bylaws for the general government of the credit union,
4 consistent with this chapter, and execute the bylaws in duplicate.

5 (4) The subscribers shall select at least five qualified persons who agree to serve on the board of
6 directors and at least three qualified persons who agree to serve on the supervisory committee if the bylaws
7 provide for a supervisory committee. A signed agreement to serve in these capacities until the first annual
8 meeting or until the election of their successors, whichever is later, must be executed by the parties. This
9 agreement must be submitted to the ~~director of the~~ department of administration.

10 (5) The subscribers shall forward the articles of incorporation and the bylaws to the ~~director of the~~
11 ~~department of administration~~. The ~~director~~ department may issue a certificate of approval if the articles and the
12 bylaws are in conformity with this chapter and if the ~~director~~ department is satisfied that the proposed field of
13 operation is favorable to the success of the credit union and that the standing of the proposed organizers gives
14 assurance that the credit union's affairs will be properly administered. The ~~director~~ department shall return to
15 the applicants or their representatives a copy of the bylaws and the articles, which must be preserved in the
16 permanent files of the credit union. The application must be acted upon within 30 days. The articles of
17 incorporation must be filed with the secretary of state who, upon payment of the fees for filing the articles, shall
18 issue a certificate of incorporation.

19 (6) The subscribers for a credit union charter may not transact any business until formal approval of the
20 charter has been received.

21 (7) If the department denies a certificate of approval, the subscribers may request a hearing under the
22 Montana Administrative Procedure Act."

23

24 **Section 14.** Section 32-3-302, MCA, is amended to read:

25 **"32-3-302. Form of articles and bylaws.** In order to simplify the organization of credit unions, the
26 ~~director of the~~ department of administration shall ~~cause to be prepared~~ prepare a form of articles of incorporation
27 and a form of bylaws, consistent with this chapter, ~~which that~~ that may be used by credit union incorporators for their
28 guidance. The articles of incorporation and bylaws must be available without charge to persons desiring to
29 organize a credit union."
30

1 **Section 15.** Section 32-3-303, MCA, is amended to read:

2 **"32-3-303. Amendments.** (1) The articles of incorporation or the bylaws may be amended as provided
3 in the bylaws. Amendments to the articles of incorporation or bylaws must be submitted, by certified mail, return
4 receipt requested, to the ~~director of the~~ department of administration, ~~who~~ which shall approve or disapprove
5 the amendments within 60 days.

6 (2) Amendments become effective upon:

7 (a) approval in writing by the ~~director~~ department, for which a fee may not be charged; and

8 (b) in the case of articles of incorporation, filing with the secretary of state.

9 (3) If the department does not approve or disapprove the amendments within the 60-day period, the
10 amendments must be considered approved, except that the department may extend the approval period for an
11 additional 30 days for good cause as stated in a written notice given to the credit union within the original 60-day
12 period."

13

14 **Section 16.** Section 32-3-307, MCA, is amended to read:

15 **"32-3-307. Limited-income persons.** Existing credit unions may include within their field of
16 membership limited-income persons, as defined by the ~~director of the~~ department of administration, for whom
17 credit union services are otherwise unavailable."

18

19 **Section 17.** Section 32-3-310, MCA, is amended to read:

20 **"32-3-310. Meetings of members.** (1) The annual meeting and any special meetings of the members
21 of the credit union ~~shall~~ must be held at the time, place, and in the manner indicated by the bylaws.

22 (2) At all ~~such~~ meetings a member ~~shall have but~~ has only one vote, irrespective of ~~his~~ the member's
23 shareholdings. ~~No~~ A member may not vote by proxy, but a member may vote by absentee ballot; OR mail ballot;
24 or other method if the bylaws of the credit union so provide.

25 (3) A society, association, partnership, or corporation having membership in the credit union may be
26 represented and have its vote cast by one of its members or shareholders, provided ~~such~~ that the person has
27 been fully authorized by the organization's governing body.

28 (4) The board of directors may establish a minimum age, not greater than 18 years of age, as a
29 qualification of eligibility to vote at meetings of the members or to hold office, or both."

30

1 **Section 18.** Section 32-3-321, MCA, is amended to read:

2 **"32-3-321. Liquidation.** (1) A credit union may elect to dissolve voluntarily and liquidate its affairs in
3 the manner prescribed in this section ~~and the applicable Montana corporation laws.~~

4 (2) The board of directors shall adopt a resolution recommending the credit union be dissolved
5 voluntarily and directing that the question of liquidation be submitted to the members.

6 (3) Within 10 days after the board of directors decides to submit the question of liquidation to the
7 members, the ~~president~~ presiding officer of the board shall notify the ~~director of the~~ department of administration
8 in writing, setting forth the reasons for the proposed action and a plan for liquidation. Within 10 days after the
9 members act on the question of liquidation, the ~~president~~ presiding officer of the board shall notify the ~~director~~
10 department in writing as to whether or not the members approved the proposed liquidation.

11 (4) ~~As soon as the board of directors decides to submit the question of liquidation to the members,~~
12 Depending on the credit union's circumstances, a liquidation plan may or may not require the suspension of
13 payment on shares, withdrawal of shares, making any transfer of shares to loans and interest, making
14 investments of any kind, and granting new loans, or other similar financial transactions must be suspended
15 pending action by members on the proposal to liquidate. On approval by the members of the proposal, all
16 business transactions must be permanently discontinued. Necessary expenses of operation must continue to
17 be paid on authorization of the board of directors or liquidating agent or committee during the period of
18 liquidation.

19 (5) For a credit union to enter voluntary liquidation, approval by a majority of the members in writing or
20 by a two-thirds majority of the members present at a regular or special meeting of the members is required. If
21 authorization for liquidation is to be obtained at a meeting of the members, notice in writing must be given to
22 each member, by first-class mail, at least 10 days prior to the meeting.

23 (6) If liquidation is approved, the board of directors shall appoint a liquidating agent or committee for
24 the purpose of conserving and collecting assets, closing the affairs of the credit union, and distributing the assets
25 as required by this chapter.

26 ~~(6)(7)~~ (7) A liquidating credit union shall continue in existence for the purpose of discharging its debts,
27 collecting and distributing its assets, and doing all acts required in order to wind up its business and may sue
28 and be sued for the purpose of enforcing debts and obligations until its affairs are fully adjusted.

29 ~~(7)~~ The board of directors or the liquidating agent shall use the assets of the credit union to pay:

30 ~~(a)~~ (a) expenses incidental to liquidating, including any surety bond that may be required;

1 ~~_____ (b) any liability due nonmembers; and~~

2 ~~_____ (c) special purpose thrift accounts as provided in this chapter. Remaining assets must be distributed~~
 3 ~~to the members proportionately to the shares held by each member as of the date dissolution was approved.~~

4 (8) The liquidating agent or committee shall distribute the assets of the credit union or the proceeds of
 5 any disposition of the assets in the sequence described in 32-3-205(6).

6 ~~(9)~~(9) As soon as the ~~board of directors or the~~ liquidating agent or committee determines that all assets
 7 from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in
 8 this section, the ~~board or the~~ liquidating agent or committee shall execute a certificate of dissolution on a form
 9 prescribed by the department. The form, together with all pertinent books and records of the liquidating credit
 10 union, must be filed with the department and the secretary of state. Upon filing with both entities, the credit union
 11 is dissolved.

12 (10) If the department determines that the liquidating agent or committee has failed to make reasonable
 13 progress in the liquidating of the credit union's affairs and distribution of its assets or has violated a provision
 14 of this chapter, the department may issue a cease and desist order against the liquidating agent or committee
 15 and appoint a new liquidating agent to complete the liquidation under the department's direction and control. The
 16 department shall fill any vacancy caused by the resignation, death, illness, removal, desertion, or incapacity to
 17 function of the liquidating agent."

18

19 **Section 19.** Section 32-3-322, MCA, is amended to read:

20 **"32-3-322. Merger.** (1) Any credit union may, with the approval of the ~~director of the~~ department of
 21 administration ~~and compliance with the applicable Montana corporation law~~, merge with another credit union
 22 under the existing charter of the other credit union, pursuant to any plan agreed upon by the majority of each
 23 board of directors of each credit union joining in the merger and approved by the affirmative vote of a majority
 24 of the members of the merging credit union present at a meeting of its members called for that purpose.

25 (2) After agreement by ~~the~~ each board of directors and approval by the members of the merging credit
 26 union, the president and secretary of the credit union shall execute a certificate of merger, which must set forth
 27 all of the following:

28 (a) the time and place of the meeting of ~~the~~ each board of directors at which the plan was agreed upon;

29 (b) the vote in favor of the adoption of the plan;

30 (c) a copy of the resolution or other action by which the plan was agreed upon;

1 (d) the time and place of the meeting of the members at which the plan agreed upon was approved;
2 and

3 (e) the vote by which the plan was approved by the members.

4 (3) The certificate and a copy of the plan of merger agreed upon must be forwarded to the ~~director~~
5 department, certified by the ~~director~~ department, and returned to both credit unions within 30 days. A copy of
6 the certificate of merger and certified plan must be filed with the secretary of state by the surviving credit union.

7 (4) Upon return of the certificate from the ~~director~~ department, all property rights and members' interest
8 of the merged credit union vest in the surviving credit union without deed, endorsement, or other instrument of
9 transfer, and all debts, obligations, and liabilities of the merged credit union are considered to have been
10 assumed by the surviving credit union under whose charter the merger was effected. The rights and privileges
11 of the members of the merged credit union remain intact.

12 (5) This section must be construed, whenever possible, to permit a credit union chartered under any
13 other law to merge with one chartered under this chapter or to permit one chartered under this chapter to merge
14 with one chartered under any other law."

15

16 **Section 20.** Section 32-3-323, MCA, is amended to read:

17 "**32-3-323. Conversion of charter.** (1) A credit union chartered under the laws of this state may be
18 converted to a credit union chartered under the laws of any other state or under the laws of the United States,
19 subject to regulations issued by the ~~director of the~~ department of administration.

20 (2) A credit union chartered under the laws of the United States or of any other state may convert to a
21 credit union chartered under the laws of this state. To effect a conversion, a credit union shall comply with all
22 the requirements of the jurisdiction under which it was originally chartered and the requirements of the ~~director~~
23 ~~of the department of administration~~ and file proof of compliance with the ~~director~~ department."

24

25 **Section 21.** Section 32-3-401, MCA, is amended to read:

26 "**32-3-401. General powers.** A credit union may:

27 (1) make contracts as provided for in this chapter;

28 (2) sue and be sued;

29 (3) adopt and use a common seal and alter ~~same~~ the seal;

30 (4) acquire, lease, hold, and dispose of property, either in whole or in part, necessary or incidental to

- 1 its operations;
- 2 (5) at the discretion of the board of directors, require the payment of an entrance fee or annual
3 membership fee, or both, of any person admitted to membership;
- 4 (6) receive savings from its members in the form of shares or special-purpose thrift accounts;
- 5 (7) lend its funds to its members as hereinafter provided;
- 6 (8) borrow from any source up to 50% of total assets, after deduction of the notes payable account;
- 7 (9) discount and sell any eligible obligations, subject to rules prescribed by the ~~director~~ department of
8 administration;
- 9 (10) sell all or substantially all of its assets or purchase all or substantially all of the assets of another
10 credit union, subject to the approval of the ~~director~~ department;
- 11 (11) invest surplus funds as provided in this chapter;
- 12 (12) make deposits in legally chartered banks, savings banks, building and loan associations, savings
13 and loan associations, trust companies, and central type credit union organizations;
- 14 (13) assess charges to members in accordance with the bylaws for failure to meet promptly their
15 obligations to the credit union;
- 16 (14) hold membership in other credit unions organized under this chapter or other laws and in other
17 associations and organizations composed of credit unions;
- 18 (15) declare dividends and pay interest refunds to borrowers as provided in this chapter;
- 19 (16) collect, receive, and disburse ~~moneys~~ money in connection with the sale of negotiable checks,
20 money orders, and other money type instruments and for such other purposes as may provide benefit or
21 convenience to its members and charge a reasonable fee for ~~such~~ the services;
- 22 (17) perform ~~such~~ tasks and missions ~~as that~~ as that are requested by the federal government or this state or
23 any agency or political subdivision ~~thereof~~ thereof of the federal government or this state, when approved by the board
24 of directors and not inconsistent with this chapter;
- 25 (18) contribute to, support, or participate in any nonprofit service facility whose services will benefit the
26 credit union or its membership, subject to ~~such~~ regulations ~~as are~~ as are prescribed by the ~~director~~ department;
- 27 (19) make donations or contributions to any civic, charitable, or community organizations as authorized
28 by the board of directors, subject to regulations ~~as are~~ as are prescribed by the ~~director~~ department;
- 29 (20) purchase or make available insurance for its directors, officers, agents, employees, and members;
- 30 (21) act as custodian or trustee of individual retirement accounts, as custodian or trustee of pension

1 funds of self-employed individuals or of the sponsor of the credit union, or as custodian or trustee under any
 2 other pension or profit-sharing plan if the funds of ~~such~~ the accounts are invested in shares of the credit union;
 3 or

4 (22) act as fiscal agent for and receive deposits from the federal government, this state, or any agency
 5 or political subdivision ~~thereof~~ of the federal government or this state."

6

7 **Section 22.** Section 32-3-403, MCA, is amended to read:

8 **"32-3-403. Election or appointment of officials.** (1) The credit union must be directed by a board,
 9 consisting of an odd number of at least five directors, to be elected at the annual membership meeting by and
 10 from the members. All members of the board shall hold office for terms that the bylaws provide.

11 (2) The board of directors shall appoint a supervisory committee of not less than three members at the
 12 organization meeting and within 30 days following each annual meeting of the members for terms that the
 13 bylaws provide. However, the bylaws of the credit union may provide that the supervisory committee members
 14 are elected for terms that the bylaws provide by the members of the credit union at the annual meeting of the
 15 members or may provide that the credit union may not have a supervisory committee. If the bylaws provide that
 16 the credit union may not have a supervisory committee, the duties and powers of the supervisory committee,
 17 as described in 32-3-417 and 32-3-418(1), are the responsibility of the board of directors.

18 (3) ~~The~~ As provided in the bylaws, the board of directors shall appoint or the members shall elect a
 19 credit committee, consisting of an odd number of at least three members, for terms that the bylaws provide, ~~or,~~
 20 In ~~in~~ lieu of a credit committee, the bylaws may provide that the board of directors shall appoint a credit
 21 manager."

22

23 **Section 23.** Section 32-3-404, MCA, is amended to read:

24 **"32-3-404. Record of board and committee members.** Within ~~45~~ 30 days after election or
 25 appointment, a record of the names and addresses of the members of the board, committees, and all officers
 26 of the credit union must be filed with the department of administration on forms provided by the department."

27

28 **Section 24.** Section 32-3-408, MCA, is amended to read:

29 **"32-3-408. Executive officers.** (1) At their ~~organization~~ next meeting ~~and within 15 days~~ following each
 30 annual meeting of the members, the directors shall elect from their own number:

1 (a) ~~an executive officer, who may be designated as chairman~~ the A presiding officer of the board or
2 president;

3 (b) ~~a vice-chairman~~ one or more vice presiding officers of the board or ~~one or more vice-presidents~~;

4 (c) a treasurer; and

5 (d) a secretary.

6 (2) The treasurer and the secretary may be the same individual.

7 (3) The persons so elected ~~shall~~ must be the executive officers of the corporation.

8 (4) The terms of the officers ~~shall~~ must be 1 year or until their successors are chosen and have duly
9 qualified.

10 (5) The duties of the officers ~~shall~~ must be prescribed in the bylaws.

11 (6) The board of directors may employ an officer in charge of operations, whose title ~~shall~~ must be either
12 president or general manager or president and general manager; ~~or, in lieu thereof,~~ the board of directors may
13 designate the treasurer or an assistant treasurer to act as general manager and be in active charge of the affairs
14 of the credit union."

15

16 **Section 25.** Section 32-3-411, MCA, is amended to read:

17 "**32-3-411. Meetings of board of directors and committees.** (1) ~~Either the~~ The board of directors and
18 or the executive committee shall meet each month. ~~as often~~ The board of directors or the executive committee
19 may meet at other times as necessary, but one body must meet at least monthly and the other at least quarterly.

20 (2) Unless specifically prohibited by the bylaws, directors and members of the supervisory committee
21 or credit committee may participate in and act at any meeting of the board or the supervisory or credit committee
22 through the use of communications equipment that enables all persons participating in the meeting to
23 communicate with each other. Participation in the meeting in this manner constitutes attendance.

24 (3) Unless specifically prohibited by the bylaws, any action required by this chapter to be taken at a
25 meeting of the board of directors or a committee or any other action that may be taken at a meeting of the board
26 of directors or a committee may be taken without a meeting if a consent in writing setting forth the action taken
27 is signed by all the directors of the board or the committee members entitled to vote with respect to the subject
28 matter of the action taken. The written consents must be evidenced by one or more written approvals, each of
29 which sets forth the action taken and bears the signature of one or more board directors or committee members.
30 All the approvals evidencing the consent must be delivered to the secretary to be filed in the corporate records

1 of the credit union. The action taken is effective when all the directors or committee members have approved
 2 the consent unless the consent specifies a different effective date. A consent signed by all the directors or
 3 committee members has the same effect as a unanimous vote and may be stated as a unanimous vote in any
 4 document filed with the department under this chapter."

5

6 **Section 26.** Section 32-3-412, MCA, is amended to read:

7 **"32-3-412. Duties of directors.** The directors shall:

8 (1) act upon applications for membership or appoint one or more membership officers to approve
 9 applications for membership under ~~such conditions as prescribed by the board prescribes~~. A record of a
 10 membership officer's approval or denial of membership ~~shall~~ must be available to the board of directors for
 11 inspection. A person denied membership by a membership officer may appeal the denial to the board.

12 (2) purchase a blanket fidelity bond, in accordance with any rules of the ~~director~~ department of
 13 administration, to protect the credit union against losses caused by occurrences covered ~~therein by the bond~~
 14 such as fraud, dishonesty, forgery, theft, misappropriation, misapplication, or unfaithful performance of duty by
 15 a director, officer, employee, member of an official committee, or other agent. However, the directors have the
 16 option of providing coverage under this subsection for only the treasurer elected by the board.

17 (3) determine from time to time the interest rate or rates consistent with this chapter to be charged on
 18 loans and authorize interest refunds, if any, to members from income earned and received in proportion to the
 19 interest paid by them on ~~such classes of loans and under such conditions as prescribed by the board prescribes~~;

20 (4) fix from time to time the maximum amount ~~which that~~ may be loaned to any one member;

21 (5) declare dividends on shares in the manner and form provided in the bylaws;

22 (6) limit the number of shares ~~which that~~ may be owned by a member, ~~such the~~ the limitations to apply alike
 23 to all members;

24 (7) have charge of the investment of surplus funds, except that the board of directors may designate
 25 an investment committee or any qualified individual to have charge of making investments under controls
 26 established by the board of directors;

27 (8) authorize the employment of ~~such~~ persons necessary to carry on the business of the credit union,
 28 including the credit manager, loan officers, and auditing assistants requested by the supervisory committee, and
 29 fix the compensation, if any, of the treasurer and the general manager and provide for compensation for other
 30 employees within guidelines predetermined by the board of directors;

- 1 (9) authorize the conveyance of property;
- 2 (10) borrow or lend money to carry on the functions of the credit union;
- 3 (11) designate a depository or depositories for the funds of the credit union;
- 4 (12) suspend any or all members of the credit or supervisory committee for failure to perform their duties;
- 5 (13) appoint any special committees considered necessary; and
- 6 (14) perform ~~such~~ other duties as the members from time to time direct and perform or authorize any
- 7 action not inconsistent with this chapter and not specifically reserved by the bylaws for the members."

8

9 **Section 27.** Section 32-3-414, MCA, is amended to read:

10 "**32-3-414. Meeting of credit committee -- loan approval.** The credit committee shall meet as often

11 as the business of the credit union requires ~~and not less frequently than once a month~~ to consider applications

12 for loans. ~~No~~ A loan ~~shall~~ may not be made unless it is approved by a majority of the committee who are present

13 at the meeting at which the application is considered. However, credit union loan policies may provide that the

14 credit committee may approve loans by category of size or type."

15

16 **Section 28.** Section 32-3-417, MCA, is amended to read:

17 "**32-3-417. ~~Duties of supervisory committee or board~~ Audits.** (1) The board of directors or

18 supervisory committee shall make or cause to be made a comprehensive annual audit of the books and affairs

19 of the credit union and shall submit a report of that audit to the board of directors and a summary of that report

20 to the members at the next annual meeting of the credit union. ~~†~~ The board or committee shall make or cause

21 to be made ~~such~~ any supplementary audits or examinations as it ~~deems~~ considers necessary or as are required

22 by the ~~director~~ department of administration or by the board of directors and submit reports of these

23 supplementary audits to the board of directors.

24 (2) The board of directors or supervisory committee shall cause the accounts of the members to be

25 verified with the records of the credit union from time to time and not less frequently than every 2 years."

26

27 **Section 29.** Section 32-3-505, MCA, is amended to read:

28 "**32-3-505. Joint accounts.** (1) A member may designate any person or persons to hold shares and

29 thrift club accounts with ~~him~~ the member in joint tenancy with the right of survivorship, as a tenant in common,

30 or under any other form of multiple party account ownership permitted by law and allowed by the credit union.

1 ~~but no~~ A joint tenant, unless a member in ~~his~~ the joint tenant's own right, ~~shall may not~~ be permitted to vote,
 2 obtain loans, or hold office or be required to pay an entrance or membership fee. If a credit union allows more
 3 than one joint owner to seek credit union membership through a joint account, the joint account must contain
 4 a membership share for each joint owner seeking membership.

5 (2) Payment of part or all of ~~such accounts~~ a joint account to any of the joint ~~tenants~~ owners shall, to
 6 the extent of ~~such~~ the payment, ~~discharge~~ discharges the liability to all joint owners."

7

8 **Section 30.** Section 32-3-506, MCA, is amended to read:

9 **"32-3-506. Trust accounts Shares in trust.** (1) Shares may be issued in the name of a member in
 10 revocable trust for a beneficiary, including a minor; ~~but no~~ if the trustor is a member, or shares may be issued
 11 in the name of an irrevocable trust if either the trustor or the beneficiary is a member. A beneficiary, unless a
 12 member in his the beneficiary's own right, ~~shall may not~~ be permitted to vote, or hold office or be
 13 required to pay an entrance or membership fee.

14 (2) Payment of part or all of ~~such~~ the shares described in subsection (1) to ~~such member~~ shall a trustee,
 15 to the extent of ~~such~~ the payment, ~~discharge~~ discharges the liability of the credit union to the member trustee
 16 and the beneficiary; ~~and the credit union shall be under no obligation~~ is not obligated to see to the application
 17 of ~~such~~ the payment.

18 (3) ~~In the event of the death of the member, and if shares are so issued or held and the credit union has~~
 19 ~~been given no other written notice of the existence or terms of any trust, such shares and any dividends or~~
 20 ~~interest thereon shall be paid to the beneficiary."~~

21

22 **Section 31.** Section 32-3-508, MCA, is amended to read:

23 **"32-3-508. Dormant accounts.** (1) ~~If a credit union is unable to contact a member, beneficiary, or other~~
 24 ~~person via first-class mail at the last address shown on the records of the credit union and if such inability~~
 25 ~~continues for a period of more than 5 years, all shares, accounts, dividends, interest, and other sums due or~~
 26 ~~standing in the name of such member, beneficiary, or other person may, by action of the board of directors, be~~
 27 ~~segregated and thereafter no dividends or interest will accrue thereto.~~

28 ~~———(2) The member may reclaim any such sums by proper administrative or judicial proceedings or in~~
 29 ~~accordance~~ When administering member accounts that are dormant, unclaimed, or abandoned, a credit union
 30 shall comply with the Uniform Disposition of Unclaimed Property Act provided for in Title 70, chapter 9, part 8.

1 ~~(3) This section does not apply to shares, accounts, dividends, interest, and other sums due to or~~
 2 ~~standing in the name of two or more persons unless the credit union is unable to contact any such persons in~~
 3 ~~the manner and during the period specified in subsection (1)."~~

4

5 **Section 32.** Section 32-3-601, MCA, is amended to read:

6 "**32-3-601. Loans -- purposes, terms, and conditions.** A credit union may loan to members for ~~such~~
 7 ~~purpose~~ the purposes and ~~upon such security and terms as the credit committee, credit manager, or loan officer~~
 8 ~~approves~~ under the conditions as prescribed by the board of directors. The board of directors shall establish
 9 written policies with respect to granting loans and extending lines of credit. The policies must include terms,
 10 conditions, and acceptable forms of security."

11

12 **Section 33.** Section 32-3-602, MCA, is amended to read:

13 "**32-3-602. Loan application.** Every application for a loan must be made ~~in~~ upon a form ~~that the credit~~
 14 ~~committee, credit manager, or loan officer prescribes~~ prescribed by the credit union. The application must state
 15 the security, if any, offered. Each loan must be evidenced by a written document or electronic data capable of
 16 being converted into written form."

17

18 **Section 34.** Section 32-3-604, MCA, is amended to read:

19 "**32-3-604. Security.** In addition to generally accepted types of security, the endorsement of a note by
 20 a surety, comaker, or guarantor; or ~~assignment~~ pledge of shares ~~of wages~~, in a manner consistent with the laws
 21 of this state, ~~shall~~ must be deemed considered security within the meaning of this chapter. The adequacy of any
 22 security ~~shall be determined by the credit committee, credit manager, or loan officer,~~ is subject to this chapter
 23 ~~and the bylaws~~ the lending policies established by the board of directors."

24

25 **Section 35.** Section 32-3-608, MCA, is amended to read:

26 "**32-3-608. Loans to officials.** (1) A credit union may make loans to its directors, employees, loan
 27 officers, and credit manager and to members of its supervisory and credit committees if:

28 (a) the loan complies with the requirements of this chapter with respect to loans to other borrowers and
 29 is not on terms more favorable than those extended to other borrowers, except that employees may receive
 30 low-interest or no-interest loans for job-related expenses under an employee assistance program approved by

1 the department of administration; and

2 (b) the loan or aggregate of loans to any one director or committee member that exceeds \$20,000 plus
3 pledged shares must be reported to the board of directors. Loans to directors and committee members may not
4 exceed an aggregate of 20% of unimpaired capital of the credit union.

5 (2) A credit union may permit directors, employees, loan officers, the credit manager, and members of
6 its supervisory and credit committees to act as comakers, guarantors, or endorsers of loans to other members,
7 ~~except when~~ If the loan standing alone or when added to any outstanding loan or loans to the comaker,
8 guarantor, or endorser exceeds \$20,000, a report to the board of directors is required."

9

10 **Section 36.** Section 32-3-611, MCA, is amended to read:

11 **"32-3-611. Share insurance.** (1) Each credit union shall maintain insurance on its share accounts
12 under the provisions of Title II of the Federal Credit Union Act or through a legally constituted insurance plan
13 approved by the commissioner of insurance and ~~the director of~~ the department of administration.

14 (2) A credit union may not begin operation or transact any business until proof that it has obtained
15 insurance under the provisions of Title II of the Federal Credit Union Act or under an approved insurance plan
16 has been furnished to the ~~director of the~~ department of ~~administration~~.

17 (3) A credit union operating in violation of this section is subject to an order of suspension as provided
18 for in 32-3-205.

19 (4) ~~The director of the~~ Subject to the provisions of [section 11], the department of ~~administration~~ shall
20 make available reports of condition and examination reports to the ~~administrator of the~~ national credit union
21 administration or any official of an insurance plan and may accept any report of examination made on behalf of
22 ~~such administrators or officials~~ the national credit union administration or insurance plan official. The ~~director~~
23 department may appoint the ~~administrator of the~~ national credit union administration or any official of an
24 insurance plan as liquidating agent of an insured credit union."

25

26 **Section 37.** Section 32-3-702, MCA, is amended to read:

27 **"32-3-702. Makeup Maintenance of regular reserve account.** ~~(1)~~ The department of administration
28 may require a credit union to establish and maintain, at a certain level, a regular reserve account as a
29 contingency to address potential losses. The department may rely on standards adopted by the national credit
30 union administration in making any determination to require a credit union to establish a regular reserve account.

1 ~~Immediately before the payment of each dividend, the gross earnings of the credit union shall be determined.~~
 2 ~~From this amount, there shall be set aside sums as a regular reserve for contingencies in accordance with the~~
 3 ~~following schedule:~~
 4 ~~——— (a) 10% of gross income until the regular reserve equals 5% of the total of outstanding loans and risk~~
 5 ~~assets; then~~
 6 ~~——— (b) 7% of gross income until the regular reserve equals 6% of the total of outstanding loans and risk~~
 7 ~~assets; then~~
 8 ~~——— (c) 5% of gross income until the regular reserve equals 7% of the total of outstanding loans and risk~~
 9 ~~assets.~~
 10 ~~——— (2) Whenever the regular reserve falls below 7%, 6%, or 5% of the total outstanding loans and risk~~
 11 ~~assets, as the case may be, it shall be replenished by regular contributions in such amounts as are needed to~~
 12 ~~maintain the reserve goals of 5%, 6%, or 7%.~~
 13 ~~——— (3) Any entrance fees, charges, and transfer fees shall, after payment of organization expense, be~~
 14 ~~added to the regular reserve."~~

15
 16 **Section 38.** Section 32-3-703, MCA, is amended to read:
 17 **"32-3-703. Use of regular reserve account.** The regular reserve account belongs to the credit union
 18 and must be used to meet losses including, with prior approval of the ~~director of the~~ department of
 19 administration, losses from the sale of investments or securities. The regular reserve account may not be used
 20 to meet losses resulting from an excess of expenses over income and may not be distributed except on
 21 liquidation of the credit union or in accordance with a plan approved by the ~~director of the~~ department of
 22 administration."

23
 24 **Section 39.** Section 32-3-705, MCA, is amended to read:
 25 **"32-3-705. Special reserves.** In addition to the regular reserve account, special reserves to protect the
 26 interest of members must be established:
 27 (1) when required by regulation; or
 28 (2) when found by the board of directors of the credit union or by the ~~director of the~~ department of
 29 administration to be necessary."
 30

1 NEW SECTION. **Section 40. Repealer.** Section 32-3-704, MCA, is repealed.

2

3 NEW SECTION. **Section 41. Codification instruction.** [Sections 2, 3, and 9 through 11] are intended
4 to be codified as an integral part of Title 32, chapter 3, and the provisions of Title 32, chapter 3, apply to [sections
5 2, 3, and 9 through 11].

6

- END -